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TAGS: ELTN ECON BEXP PGOV OVIP SECRETARY PETERS CH
SUBJECT: TRANSPORTATION SECRETARY PETERS' MEETING WITH MINISTER OF RAILWAYS LIU: CLOSER COOPERATION AND BUSINESS ADVOCACY

¶1. (SBU) Summary. Secretary of Transportation Mary E. Peters highlighted opportunities for cooperation in railway expansion and economic development and advocated on behalf of United States railroad equipment suppliers in her April 14 meeting with Chinese Minister of Railways Liu Zhijun. Minister Liu affirmed ChinaQs continuing interest in cooperating with the United States Government and with American companies in the upgrading and expansion of ChinaQs rail network and said that an equipment maintenance contract valued at about USD 400 million may be signed soon. China will build 25,000 kilometers of new railroad track by 2020, of which about 50 percent will be double-line or electrified and of which about 12,000 kilometers will be capable of handling high-speed trains. A sixth upgrading of ChinaQs existing rail network will be announced on April 18. Expansion of China's rail network is consistent with President Hu Jintao's concept of scientific development as well as being environmentally friendly, Minister Liu explained. End summary.

¶2. (U) Minister of Railways Liu Zhijun hosted Secretary of Transportation Peters, her delegation, the Ambassador and Embassy officers at a 45-minute meeting on Saturday, April 14. Minister Liu underscored long-term cooperative relations between the Chinese and American rail sectors, including provision of locomotives, rolling stock, communications and signaling equipment and infrastructure maintenance by American companies. Director General for International Cooperation Chen Juemin placed the value of recent American rail equipment sales to China at USD 600 million per year. Minister Liu said he hopes to travel to the United States soon to sign an equipment maintenance contract valued at USD 400 million, and identified Ministry of Railways Deputy Chief Engineer and Director General of the Transportation Department Zhang Shuguang as his Ministry's lead negotiator on that maintenance contract. Liu noted frequent government-to-government contacts on rail issues, including former Secretary MinetaQs visit to China and his own travels to the United States for agreement signings, and praised cooperation by Union-Pacific, CSX, General Electric and ITT with Chinese counterparts. He recalled his meeting with Transportation Assistant Secretary for Aviation and International Affairs Andrew Steinberg at the December 2006 Strategic Economic Dialogue (SED) in Beijing and forecast that the Secretary's visit would promote bilateral cooperation and development of ChinaQs rail sector.

U.S. Companies Can Play Even Bigger Role

¶3. (SBU) Secretary Peters extended congratulations to Minister Liu and his colleagues on important recent developments in the

Chinese rail sector. These included recent completion of an acoustic track inspection, allowing for higher speeds and increased traffic flows while ensuring safety. Higher speeds while maintaining safety standards is becoming increasingly important for the United States. Second, the Secretary congratulated the Ministry for its recognition of the importance of the rail network for both passengers and freight to ChinaQs economic development. Spreading economic development to Western China will require good rail lines. The Secretary also thanked the Minister for China's good work with American companies and highlighted those and other companies' interests in working in China. These include General Electric, which already supplies electric motor drives to China and has opportunities to bring forth new technologies to improve rail operations in China and the United States; the Robbins Company, with worldwide experience and competitiveness in tunnel boring projects; and Picton Technologies, manufacturers of ballast integrity sensors to detect and warn against rail bed problems such as washouts. Minister Liu noted the interest of American companies to participate in expansion of ChinaQs rail network as just outlined by the Secretary and expressed particular interest in learning more about track maintenance equipment.

Overview of Chinese Railway Expansion

¶4. (SBU) Minister Liu provided a short briefing on expansion and upgrading of ChinaQs rail network. He first contrasted the rail situation in the United States (large country; small population relative to China's population; 217,000 km of railways) with that of China (large country; large population; only 70,000 km of railways). Movement of freight in the most important function of the rail system in the already industrialized United States, while the rail system in China, which is still

undergoing industrialization, has important roles in moving both freight and passengers. The Chinese rail system today can only meet about one-third of market demand for freight and passenger movements. Demand exists for 300,000 freight railcar movements per day in China, but only 100,000 freight railcar movements can be supplied at present. Passenger movements still face widespread bottlenecks.

¶5. (SBU) Under the attention of President Hu Jintao and Premier Wen Jiabao, the Chinese Government has approved a medium and long-term railway development plan through 2020. During this period, China will build 25,000 km of new rail track, of which about 50 percent will be double-line or electrified track; 12,000 km will be capable of handling high-speed trains. Furthermore, 20,000 km of existing rail lines will be upgraded through 2020. Within that period, in the current (Eleventh; 2006-2011) Five-Year Plan, China will build 17,000 km of new rails, of which 7,000 km will be capable of handling high-speed trains at an average speed of 200 kph and in some stretches up to 350 kph. China will increase the density of the rail network in Eastern China, such as by constructing two new lines linking Beijing and Shanghai and thereby separating passenger and freight traffic. In Western China, the focus will be on construction of new rail lines, such as one to link Lanzhou (capital of Gansu Province in China's Northwest) with Chongqing (the world's most populous city, on the Yangtze River in southwestern China). Construction of new lines in the Eleventh Five-Year Plan will ease some of the rail network bottlenecks in China, it still will not resolve fully the fundamental difficulties facing China. Upgrading of existing lines to enhance traffic capacity is also necessary. A sixth upgrading project to be announced on April 18 is intended to increase passenger capacity on the existing system by 18 percent and freight capacity by 12-15 percent.

¶6. (SBU) China must upgrade rapid freight service, Minister Liu continued, and improve capacity so that trains can carry 5000 - 6000 tons of freight while shortening the interval between trains to as short as five minutes. China must also operate more double-deck container trains. Despite the difficulties in

meeting demand, China's rail system can be regarded as the worldQs leader in efficiency and profitability, the Minister averred. Six percent of ChinaQs rail equipment generates 25 percent of its traffic volume. In 2007, ChinaQs rail system will move three billion tons of freight, 1.36 billion passengers, generate more than 300 billion renminbi (more than USD 38 billion at the April 14 exchange rate) in revenue. ChinaQs most advanced high-speed line, linking Beijing and Tianjin (port city 80 miles away), will be open by the time of the 2008 Summer Olympic Games; Minister Liu would be pleased to welcome the Secretary at that time to ride that new train. A new 1000-kilometer line linking WuChang and Guangzhou will be completed by 2010, with three-hour travel between those destinations possible then. A new line between Guangzhou and Shenzhen to be completed before 2010 will allow 20-minute travel between those two cities.

¶7. (SBU) The reason that the Chinese Government has chosen to funnel resources into development of the railway network is because it accords with the principles of scientific development raised by President Hu Jintao, Minister Liu concluded. Railroads compared to other means of freight and passenger transportation are less polluting, occupy less land, economical, energy-saving, QgreenQ (i.e., eco-friendly), and are not influenced by the weather. Thus the decision to develop China's railways was taken. The rapid development and scale of China's rail network will present more opportunities for China to cooperate with American companies. The railway network development process will be independent and open. China will study advanced experiences around the world and continue exchanges with the United States.

Clarification re Electrified Lines

¶8. (SBU) Secretary Peters thanked Minister Liu for his explanation of China's rail transportation goals and noted that rail network development has played or will play a further role in the economic development of the western parts of the United States and China. The United States faces capacity constraints, too, and government officials are engaged in discussion with the rail industry about how to achieve expansion to move more freight and less cost. Moving freight and passengers on the

same lines is also a challenge in the United States. The Secretary recalled her 2005 visit to China as then Administrator

of the Federal Highway Administration and her pleasant train ride from Nanjing to Shanghai. She then requested the Minister's clarification and additional information about electrification of Chinese rail lines and plans for electronic ticketing in China.

¶9. (SBU) Rail line electrification will be undertaken in several areas of China. Minister Liu replied. These will include mountainous areas and special areas like Tibet, so that local environmental conditions can be protected. Electrification will also be undertaken in economically advanced areas of China such as the Pearl River Delta (note: between Guangzhou and Hong Kong), the Yangtze River delta (note: Shanghai and surrounding areas) and the Bohai region (note: Beijing - Tianjin and coastal areas on the Bohai Sea), as well as in other locations east of the Beijing-Guangzhou rail line, in accordance with the Eleventh Five-Year Plan. By the end of the Five-Year Plan, as much as 45 - 50 percent of ChinaQs rail lines should be electrified. Minister Liu said that electronic ticketing will be an important part of the expansion of high-speed rail lines in China.

United States Participants

¶10. (U) United States Government participants in this April 14 meeting were:

Secretary of Transportation Mary E. Peters

SIPDIS
Ambassador Clark T. Randt, Jr.
Assistant Secretary for Aviation and International Affairs Andrew Steinberg
Deputy Chief of Staff Simon Gros
Assistant to the Secretary for Policy Jana Weir
Assistant to the Secretary for Public Affairs Sarah Echols
Embassy Minister-Counselor for Economic Affairs Robert Luke
Embassy Economic Section Trade and Investment Policy Unit Chief Eric Madison
Embassy Economic Section Deputy Chief Christopher Beede (note taker)

¶11. (U) Ministry of Railways participants were:

Minister of Railways LIU Zhijun
Deputy Chief Engineer and Director-General of the Transportation Department ZHANG Shuguang
Director-General of the International Cooperation Department CHEN Juemin
Director of the International Cooperation Department ZHONG Qigui
Official of the International Cooperation Department LIU Ya (interpreter)

¶12. (U) Secretary Peters' delegation has cleared this report of meeting.

RANDT